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Chapter 9 Counsel for Tulare Local Healthcare District

IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
FRESNO DIVISION

In re

TULARE LOCAL HEALTHCARE
DISTRICT, dba TULARE
REGIONAL MEDICAL CENTER,

Debtor.

Tax ID #: 94-6002897
Address: 869 N. Cherry Street
Tulare, CA 93274

CASE NO. 17-13797

DC No.: WW-70

Chapter 9

Date: January 17, 2019
Time: 9:30 a.m.
Place: 2500 Tulare Street
Fresno, CA 93721
Courtroom 13
Judge: Honorable René Lastreto II

**DECLARATION OF DANIEL HECKATHORNE IN SUPPORT OF MOTION FOR
APPROVAL OF COMPROMISE OF CONTROVERSIES
(MB EQUIPMENT FINANCE, LLC AND MB FINANCIAL BANK, N.A.)**

I, Daniel Heckathorne, declare as follows:

1. My name is Daniel Heckathorne. I am the Interim Chief Financial Officer of the District.
2. I make this declaration in support of the Motion for Approval of Compromise of Controversies.
3. The District filed a Chapter 9 Petition on September 30, 2017.
4. The District filed an adversary proceeding bearing adversary proceeding number 18-01008. By the adversary proceeding the District, as Plaintiff, challenged

1 the alleged unauthorized sale/leaseback of assets described in the adversary
2 proceeding.

3 5. The District and Celtic have engaged in extensive discussions to entirely
4 resolve the dispute.

5 6. As a result of those discussions, Celtic and the District have reached a
6 settlement of the dispute ("Settlement").

7 7. A copy of the Settlement Agreement is attached hereto as Exhibit A.

8 8. The material provisions of this Settlement are as follows.

9 a) Payment of \$500,000 to Celtic on or before February 15, 2019.

10 b) Mutual releases between the District and Celtic;

11 c) Dismissal of the adversary proceeding;

12 d) Allowance of a general unsecured claim in favor of Celtic in the
13 amount of \$2,500,000;

14 e) Transfer of right, title and interest of Celtic to the District in all
15 assets subject to dispute;

16 f) Granting relief from stay to Celtic to permit it to pursue claims to
17 certain funds seized by the District attorney for the County of Tulare
18 with a credit of \$2.50 against the allowed unsecured claim for each
19 \$1.00 recovered by Celtic; and

20 g) Treatment of allowed unsecured claim may not be modified by the
21 District's Plan of Adjustment.

22 9. The Settlement entirely resolved the above described dispute as between
23 the Parties.

24 10. The Settlement is in the best interest to the District because it will avoid
25 the cost of continued litigation and give certainty.

26 11. The Settlement is in the best interest of creditors because the limited
27 resources of the District can be used to pay creditors rather than the costs of continued
28 litigation.

1 12. The Settlement is reasonable because the District will be relieved from the
2 obligation of continued litigation and danger of greater liability. This will advance the
3 administration of the District's Chapter 9 case and promote its ability to prepare a Plan
4 of Arrangement.

5 13. I have evaluated the merits of the dispute with the advice of counsel. In
6 doing so, I have considered the complexity of the litigation, the expenses that would be
7 incurred in continued litigation and collection efforts and the questions of law and fact
8 that are involved in the dispute with no guarantee of a favorable ruling for either side. In
9 light of the above, I believe the Settlement is reasonable. The District also consulted
10 with the creditors having consensual liens.

11 14. The elected board of directors of the District has approved this
12 compromise by 5-0 vote.

13 I am over the age of eighteen and if I were called as a witness in connection with
14 this proceeding I would and could testify as is set out in this Declaration.

15 I SO DECLARE under penalty of perjury under the laws of the United States of
16 America that the foregoing is true and correct and that this declaration was executed
17 this 4TH day of January, 2019 at TULARE, California.

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19 
Daniel Heckathorne